

**OKOBOJI  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

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**OKOBOJI COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2008 Election)**

Christopher Stein	President	2008
Phil Miklo	Vice President	2011
Markham Hale		2008
Dee Wermersen		2009
Laurie Simington		2009

**(After September 2008 Election)**

Christopher Stein	President	2011
Phil Miklo	Vice President	2011
Markham Hale		2011
Dee Wermersen		2009
Laurie Simington		2009

**School Officials**

Robert Miller	Superintendent
Katy Sporrer	District Secretary/ Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Okoboji Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Okoboji Community School District, Milford Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Okoboji Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2010 on our consideration of Okoboji Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Okoboji Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2004 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 25, 2010

# **OKOBOJI COMMUNITY SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

Okoboji Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,674,012 in fiscal year 2008 to \$9,101,975 in fiscal year 2009 (5% increase), while General Fund expenditures increased from \$8,371,197 in fiscal year 2008 to \$8,960,254 in fiscal year 2009 (7% increase).
- General Fund revenues showed increased property tax and federal revenues, however, were offset by state revenue decreases. The District increased revenues and expenses by over \$300,000 with the Carol White PE Grant. Expenditures increased due to grants and payroll increases.
- The statewide sales and services tax continues to generate funds for the District. These monies are being used for construction and improvement of district facilities. This tax allows the District to update its facilities without raising property taxes. It has also allowed the District to retire debt without the use of property taxes.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Okoboji Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Okoboji Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Okoboji Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activity Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefitting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Okoboji Community School District Annual Financial Report***

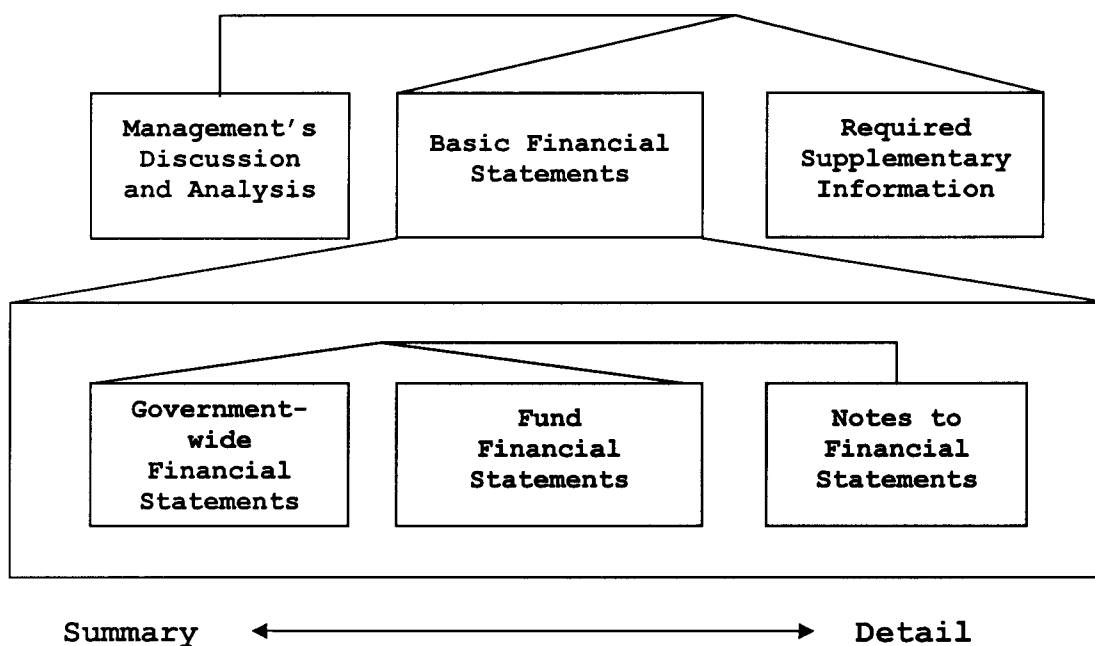


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" funds for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 11,757	10,484	65	66	11,822	10,550	10.76%
Capital assets	13,200	13,026	66	77	13,266	13,103	1.23%
<b>Total assets</b>	<b>24,957</b>	<b>23,510</b>	<b>131</b>	<b>143</b>	<b>25,088</b>	<b>23,653</b>	<b>5.72%</b>
Current liabilities	8,518	7,641	19	18	8,537	7,659	10.28%
Non-current liabilities	1,855	2,505	-	-	1,855	2,505	-35.04%
<b>Total liabilities</b>	<b>10,373</b>	<b>10,146</b>	<b>19</b>	<b>18</b>	<b>10,392</b>	<b>10,164</b>	<b>2.19%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	11,811	11,052	66	77	11,877	11,129	6.30%
Restricted	829	475	-	-	829	475	42.70%
Unrestricted	1,944	1,837	46	48	1,990	1,885	5.28%
<b>Total net assets</b>	<b>\$ 14,584</b>	<b>13,364</b>	<b>112</b>	<b>125</b>	<b>14,696</b>	<b>13,489</b>	<b>8.21%</b>

Total net assets increased over 8% due primarily to three factors - continued collection of sales tax, continued investment by the District in its capital assets and a 5% increase in the General Fund. Purchases of capital assets require current resources. However, their cost is spread out over the useful life of the asset. The General Fund increased due to additional revenue sources becoming available as well as careful monitoring of expenses.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 534	600	218	206	752	806	-6.70%
Operating grants, contributions and restricted interest	2,294	1,340	149	145	2,443	1,485	64.51%
General revenues:							
Property tax	6,768	6,187	-	-	6,768	6,187	9.39%
Income surtax	139	166	-	-	139	166	-16.27%
Statewide sales and services tax	1,085	1,109	-	-	1,085	1,109	-2.16%
Unrestricted state grants	203	1,098	-	-	203	1,098	-81.51%
Unrestricted investment earnings	121	107	-	-	121	107	13.08%
Other	15	18	-	-	15	18	-16.67%
Total revenues	11,159	10,625	367	351	11,526	10,976	5.01%
Program expenses:							
Governmental activities:							
Instruction	6,490	5,914	-	-	6,490	5,914	9.74%
Support Services	2,319	2,316	-	-	2,319	2,316	0.13%
Non-instructional programs	-	-	380	365	380	365	4.11%
Other expenses	1,130	1,059	-	-	1,130	1,059	6.70%
Total expenses	9,939	9,289	380	365	10,319	9,654	6.89%
Change in net assets	\$ 1,220	1,336	(13)	(14)	1,207	1,322	-8.70%

Property tax and unrestricted state grants account for 60% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$11,158,922 and expenses were \$9,939,189 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2009 compared to they year ended June 30, 2008.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 6,490	5,914	0.13%	4,048	4,340	-6.73%
Support services	2,319	2,316	6.70%	2,263	2,275	-0.53%
Other expenses	1,130	1,059	6.70%	800	734	8.99%
Totals	<u>\$ 9,939</u>	<u>\$ 9,289</u>	<u>7.00%</u>	<u>7,111</u>	<u>7,349</u>	<u>-3.24%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$534,183.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,253,528.
- The net cost of governmental activities was financed with \$6,767,543 in property tax, and \$203,235 in state foundation aid.

## Business Type Activities

Revenues for business type activities for the year ended June 30, 2009 were \$366,780 and expenses totaled \$380,079. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the balance in the School Nutrition Fund decreased by 11%.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Okoboji Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,874,621, a fifteen percent increase over last year's ending fund balances of \$2,490,682. The primary reason was the increase of over \$140,000 was in the District's General Fund.

## Governmental Fund Highlights

- The District's General Fund balance increased 10% over the prior year. Additional local taxes were the primary source of increase. State aid decreased by over \$800,000. Allowable growth of 4% or less is inadequate to maintain current programs without dipping into reserves.
- The District continues to improve its facilities and relieve property tax asking primarily through the use of statewide sales and services tax revenues.

- The District's resident enrollment decreased by 4.7 students. However, the District was allowed to count an additional 46.2 students as part of the state sponsorship of the 4 year old preschool program.
- Capital Projects monies were used for a variety of projects and property tax relief throughout the District spending more than revenues received was part of the District's planning.

### **Proprietary Fund Highlights**

The School Nutrition fund decreased 11% during the year. The Nutrition Fund completed a fourth straight year of not requiring assistance from the General Fund.

### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36. The District exceeded the budgeted amount in two functions, however, total actual expenses did not exceed the total budgeted expenses. It did not exceed its statutory spending authority.

### **Legal Budgetary Highlights**

The District's receipts were 1% greater than budgeted receipts. The most significant variances resulted from the District receiving \$300,000 in federal aid, for a physical education grant.

Total expenditures were less than budgeted in total, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2009, the District had invested \$13.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$711,091.

The original cost of the District's capital assets was \$21,973,835. Governmental funds account for \$21,632,602, with the remainder of \$341,251 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Asset, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 249	249	-	-	249	249	0.00%
Site improvements	586	616	-	-	586	616	-4.87%
Buildings	11,617	11,545	-	-	11,617	11,545	0.62%
Furniture and equipment	748	616	66	77	814	693	17.46%
Totals	\$ 13,200	13,026	66	77	13,266	13,103	1.24%

### Long-Term Debt

At June 30, 2009, the District had over \$1.3 million in revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 30% from last year (See Figure A-7).

The District benefits from having the local banks purchase revenue bonds. The District is paying less interest expense and has a much less complicated system of repayment. These revenue bonds will be retired in two years.

The District borrowed \$163,000 for the purchase of a building to house the alternative high school. The District makes payments of \$1,289 monthly for five years, then there is a balloon payment of approximately \$120,000 to complete the purchase.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
Early retirement	\$ 466	531	-12.24%
Real estate contract	157	-	100.00%
Revenue bonds	1,232	1,974	-37.59%
Total	\$ 1,855	2,505	-25.95%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District experienced a decreased resident enrollment again. Allowable growth of 4% or less is inadequate to maintain existing programs without dipping into reserves.
- Midyear state aid cuts make it difficult to plan from year to year.
- Health insurance continues to be a very costly item to the District. The District continues to explore options for more affordable coverage.

- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The legislature is proposing a statewide one cent sales tax for schools. This will have a major impact on the District's equipment and infrastructure purchases.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Katy Sporrer, Business Manager, Okoboji Community School District, 1205 7<sup>th</sup> Street, Milford, IA 51351.

## **Basic Financial Statements**



## OKOBOJI COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,840,427	52,781	3,893,208
Receivables:			
Property tax:			
Current year	81,364	-	81,364
Succeeding year	7,478,389	-	7,478,389
Income surtax - succeeding year	128,600	-	128,600
Due from other governments	223,928	-	223,928
Other receivables	3,912	-	3,912
Inventories	-	11,975	11,975
Capital assets, net of accumulated depreciation	13,200,455	66,077	13,266,532
<b>Total assets</b>	<u>\$ 24,957,075</u>	<u>130,833</u>	<u>25,087,908</u>
<b>Liabilities</b>			
Accounts payable	\$ 166,592	-	166,592
Accrued payroll and benefits	870,203	18,787	888,990
Deferred revenue:			
Succeeding year property tax	7,478,389	-	7,478,389
Federal programs	2,300	-	2,300
Long term liabilities:			
Portion due within one year:			
Early retirement	91,551	-	91,551
Real estate contract	7,806	-	7,806
Revenue bonds	769,884	-	769,884
Portion due after one year:			
Early retirement	374,850	-	374,850
Real estate contract	148,980	-	148,980
Revenue bonds	462,591	-	462,591
<b>Total liabilities</b>	<u>10,373,146</u>	<u>18,787</u>	<u>10,391,933</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	11,811,194	66,077	11,877,271
Restricted for:			
Management fund	118,479	-	118,479
Physical plant and equipment levy	190,466	-	190,466
Debt service	47,743	-	47,743
Capital projects	314,174	-	314,174
Categorical funding	157,879	-	157,879
Unrestricted	1,943,994	45,969	1,989,963
<b>Total net assets</b>	<u>\$ 14,583,929</u>	<u>112,046</u>	<u>14,695,975</u>

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses					
<b>Functions/Programs:</b>					
Governmental activities:					
Instruction:	\$ 6,489,915	529,234	1,912,162	(4,048,519)	(4,048,519)
Support services:					
Student services	229,474	-	-	(229,474)	-
Instructional staff services	200,763	-	-	(200,763)	-
Administration services	846,376	-	-	(846,376)	-
Operation and maintenance of plant services	723,595	-	51,167	(672,428)	-
Transportation services	318,464	4,949	-	(313,515)	-
	2,318,672	4,949	51,167	(2,262,556)	(2,262,556)
Other expenditures:					
Facilities acquisition	45,979	-	7,354	(38,625)	-
Interest on long-term debt	68,043	-	2,456	(65,587)	-
AEA flowthrough	320,746	-	320,746	-	-
Depreciation (unallocated)*	695,834	-	-	(695,834)	-
	1,130,602	-	330,556	(800,046)	-
Total governmental activities	9,939,189	534,183	2,293,885	(7,111,121)	(7,111,121)

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs:				
Nutrition services	380,079	217,705	149,075	
				(13,299)
Total	\$ 10,319,268	751,888	2,442,960	(7,111,121)
				(13,299)
				(7,124,420)
<b>General Revenues:</b>				
Property tax levied for:				
General purposes			\$ 6,140,498	-
Management Fund			323,405	-
Capital outlay			303,640	-
Income surtax			139,011	-
Statewide sales and services tax			1,085,481	-
Unrestricted state grants			203,235	-
Unrestricted investment earnings			120,892	-
Loss on disposal of capital assets			(5,622)	-
Other			20,314	-
				20,314
Total general revenues			8,330,854	-
Change in net assets			1,219,733	(13,299)
Net assets beginning of year			13,364,196	125,345
				13,489,541
Net assets end of year			\$ 14,583,929	112,046
				14,695,975

\* This amount excludes the depreciation that is included in the direct expense of the various programs.  
See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
<b>Assets</b>							
Cash and pooled investments	\$ 2,445,794	123,417	581,005	186,560	219,993	47,743	3,604,512
Receivables:							
Property tax:							
Current year	73,583	-	3,875	3,906	-	-	81,364
Succeeding year	6,947,147	-	210,000	321,242	-	-	7,478,389
Income surtax - succeeding year	128,600	-	-	-	-	-	128,600
Due from other governments	129,747	-	-	-	94,181	-	223,928
Other receivables	3,912	-	-	-	-	-	3,912
<b>Total assets</b>	<b>\$ 9,728,783</b>	<b>123,417</b>	<b>794,880</b>	<b>511,708</b>	<b>314,174</b>	<b>47,743</b>	<b>11,520,705</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 165,851	741	-	-	-	-	166,592
Accrued payroll and benefits	870,203	-	-	-	-	-	870,203
Deferred revenue:							
Succeeding year property tax	6,947,147	-	210,000	321,242	-	-	7,478,389
Succeeding year income surtax	128,600	-	-	-	-	-	128,600
Federal programs	2,300	-	-	-	-	-	2,300
Total liabilities	8,114,101	741	210,000	321,242	-	-	8,643,784
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	-	47,743	47,743
Capital projects	-	-	-	-	314,174	-	314,174
Categorical funding	157,879	-	-	-	-	-	157,879
Unreserved	1,456,803	122,676	584,880	190,466	-	-	2,354,825
Total fund balances	1,614,682	122,676	584,880	190,466	314,174	47,743	2,874,621
<b>Total liabilities and fund balances</b>	<b>\$ 9,728,783</b>	<b>123,417</b>	<b>794,880</b>	<b>511,708</b>	<b>314,174</b>	<b>47,743</b>	<b>11,518,405</b>

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 2,874,621
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**Amounts reported for governmental activities in the Statement of  
Net Assets are different because:**

Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	128,600
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,200,455
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An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	235,915
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Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Early retirement	\$ (466,401)	
Real estate contract	(156,786)	
Revenue bonds	<u>(1,232,475)</u>	<u>(1,855,662)</u>

<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 14,583,929</u></b>
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## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 6,282,857	-	323,405	303,640	1,085,481	-	7,995,383
Tuition	492,471	-	-	-	-	-	492,471
Other	191,933	292,414	40,154	10,738	7,354	2,456	545,049
State sources	1,431,993	-	145	130	-	-	1,432,268
Federal sources	702,721	-	-	-	-	-	702,721
Total revenues	9,101,975	292,414	363,704	314,508	1,092,835	2,456	11,167,892
Expenditures:							
Instruction	6,361,475	274,535	112,688	2,625	-	-	6,751,323
Support services:							
Student services	229,474	-	-	-	-	-	229,474
Instructional staff services	187,363	-	-	7,268	50,952	-	245,583
Administration services	805,949	-	37,502	-	2,925	-	846,376
Operation and maintenance of plant services	757,690	-	45,809	5,386	-	-	808,885
Transportation services	297,557	-	20,907	92,907	16,700	-	428,071
	2,278,033	-	104,218	105,561	70,577	-	2,558,389

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Other expenditures:							
Facilities acquisition and construction services	-	-	-	126,758	373,889	-	500,647
Principal on long-term debt	-	-	-	-	-	747,805	747,805
Interest on long-term debt	-	-	-	-	-	68,043	68,043
AEA flowthrough	320,746	-	-	-	-	-	320,746
	320,746	-	-	126,758	373,889	815,848	1,637,241
Total expenditures	8,960,254	274,535	216,906	234,944	444,466	815,848	10,946,953
Excess (deficiency) of revenues over (under) expenditures	141,721	17,879	146,798	79,564	648,369	(813,392)	220,939
Other financing sources (uses):							
Loan proceeds - real estate contract	-	-	-	-	163,000	-	163,000
Operating transfers in	-	-	-	-	-	815,848	815,848
Operating transfers out	-	-	-	-	(815,848)	-	(815,848)
Total other financing sources (uses)	-	-	-	-	(652,848)	815,848	163,000
Net change in fund balances	141,721	17,879	146,798	79,564	(4,479)	2,456	383,939
Fund balances beginning of year	1,472,961	104,797	438,082	110,902	318,653	45,287	2,490,682
Fund balances end of year	\$ 1,614,682	122,676	584,880	190,466	314,174	47,743	2,874,621

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2009

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 383,939

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities  
This represents the change from FY08 to FY09

(3,348)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 875,580	
Depreciation expense	<u>(695,834)</u>	179,746

Undepreciated basis in capital assets disposed of during the year (5,622)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(163,000)	
Repayments	<u>747,805</u>	584,805

An internal service fund is used by the District to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

15,997

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement payments		<u>64,216</u>
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**Change in net assets of governmental activities (Exhibit B)** \$ 1,219,733

See notes to financial statements.



## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Enterprise Fund	Governmental Activities
	School Nutrition	Internal Service
<b>Assets</b>		
Cash and pooled investments	\$ 52,781	235,915
Other receivables	-	-
Inventories	11,975	-
Capital assets, net of accumulated depreciation	66,077	-
<b>Total assets</b>	<u>130,833</u>	<u>235,915</u>
<b>Liabilities</b>		
Accrued salary and benefits	<u>18,787</u>	<u>-</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	66,077	-
Unrestricted	<u>45,969</u>	<u>235,915</u>
<b>Total net assets</b>	<u>\$ 112,046</u>	<u>235,915</u>

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2009

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 217,705	980,808
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	122,949	-
Benefits	37,310	-
Services	9,331	-
Supplies	195,232	-
Depreciation	15,257	-
	380,079	-
Internal service programs:		
Benefits	-	976,001
Total operating expenses	380,079	976,001
Operating (loss)	(162,374)	4,807
Non-operating revenues:		
Local sources	2,651	11,190
State sources	4,292	-
Federal sources	142,132	-
	149,075	11,190
Net change in fund net assets	(13,299)	15,997
Net assets beginning of year	125,345	219,918
Net assets end of year	\$ 112,046	235,915

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	<u>Enterprise</u>	<u>Internal</u>
	<u>School</u>	<u>Service</u>
	<u>Nutrition</u>	<u>Health</u>
		<u>Insurance</u>
Cash flows from operating activities:		
Cash received from sale of services	\$ 217,922	980,808
Cash payments to employees for services	(159,195)	(976,001)
Cash payments to suppliers for goods or services	(184,745)	-
Net cash provided by (used by) operating activities	<u>(126,018)</u>	<u>4,807</u>
Cash flows from non-capital financing activities:		
State grants received	4,292	-
Federal grants received	123,001	-
Net cash provided by non-capital financing activities	<u>127,293</u>	<u>-</u>
Cash flows from capital financing activities:		
Acquisition of capital assets	(3,853)	-
Cash flows from capital financing activities:		
Interest on investments	2,651	11,190
Net increase in cash and cash equivalents	73	15,997
Cash and cash equivalents beginning of year	52,708	219,918
Cash and cash equivalents end of year	<u>\$ 52,781</u>	<u>235,915</u>
<b>Reconciliation of operating income (loss) to net cash</b>		
<b>provided by (used by) operating activities:</b>		
Operating income (loss)	\$ (162,374)	4,807
Adjustments to reconcile operating profit (loss) to net cash		
provided by (used by) operating activities:		
Depreciation	15,257	-
Commodities used	19,131	-
Decrease (Increase) in other receivables	217	-
(Increase) in inventory	687	-
(Decrease) in accrued salary and benefits	1,064	-
	<u>\$ (126,018)</u>	<u>4,807</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$19,612.

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust
	<u>Scholarship and Special Needs</u>
<b>Assets</b>	
Cash	\$ <u>27,972</u>
<b>Net assets</b>	
Reserved for scholarships	<u>27,972</u>
<b>Total net assets</b>	<u>\$ 27,972</u>

See notes to financial statements.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust
	Scholarship and Special Needs
Additions:	
Local sources:	
Interest on investments	\$ 377
Contributions	<u>2,700</u>
Total additions	<u>3,077</u>
Deductions:	
Support services:	
Other	<u>5,222</u>
Total deductions	<u>5,222</u>
Change in net assets	(2,145)
Net assets beginning of year	<u>30,117</u>
Net assets end of year	<u>\$ 27,972</u>

See notes to financial statements.

# OKOBOJI COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### (1) Summary of Significant Accounting Policies

Okoboji Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Milford, Arnolds Park, Fostoria, West Okoboji and Wahpeton, Iowa, and agricultural area in Dickinson and Clay Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Okoboji Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Okoboji Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dickinson County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The District reports the following major proprietary funds:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's employee benefit cafeteria plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards and the purchase of items for students with personal needs.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.



Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ -
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent federal program funds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the instruction and other expenditures functions. The District did not exceed its General Fund unspent authorized budget.

## **(2) Cash and Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 248,655	-	-	248,655
Capital assets being depreciated:				
Buildings	16,728,648	429,681	-	17,158,329
Improvements other than buildings	1,179,312	24,987	-	1,204,299
Furniture and Equipment	2,633,828	420,912	33,421	3,021,319
Total capital assets being depreciated	20,541,788	875,580	33,421	21,383,947
Less accumulated depreciation for:				
Buildings	5,183,298	357,388	-	5,540,686
Improvements other than buildings	563,645	54,338	-	617,983
Furniture and Equipment	2,017,169	284,108	27,799	2,273,478
Total accumulated depreciation	7,764,112	695,834	27,799	8,432,147
Total capital assets being depreciated, net	12,777,676	179,746	5,622	12,951,800
Governmental activities, capital assets, net	\$ 13,026,331	179,746	5,622	13,200,455
<b>Business type activities:</b>				
Furniture and equipment	\$ 337,398	3,853	-	341,251
Less accumulated depreciation	259,917	15,257	-	275,174
Business type activities capital assets, net	\$ 77,481	(11,404)	-	66,077
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 695,834
Business Type activities:				
Food service operations				\$ 15,257

### (4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	Early Retirement \$	Revenue Bonds \$	Real Estate Contract \$	Total \$
Balance beginning of year	530,617	1,974,066	-	2,504,693
Additions	-	-	163,000	163,000
Reductions	64,215	741,591	6,214	812,020
Balance end of year	466,402	1,232,475	156,786	1,855,663

**(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$343,609, \$305,395, and \$293,547 respectively, equal to the required contributions for each year.

**(6) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$320,746 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(7) Early Retirement**

The District offers a voluntary early retirement program plan to all its certified employees. Eligible employees must be at least age fifty-four by October 1, 2005 and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives include the payment of health insurance premiums, at a fixed amount, by the District until age sixty-five. Early retirement expenditures for the year ended June 30, 2009 totaled \$64,215.

**(8) Revenue Bonds Payable**

Details of the District's June 30, 2009 statewide (formerly local option) sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 2005			
	Interest Rate	Principal	Interest	Total
2010	3.757%	\$ 769,884	33,074	802,958
2011	3.757	462,591	5,800	468,392
		<u>1,232,475</u>	<u>38,875</u>	<u>1,271,350</u>

The statewide (local option) sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the statewide (local option) sales and services revenue bonds included the following provisions:

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received. Current revenues of \$1,255,835 are more than adequate to cover \$802,958 of debt payment requirement.

**(9) Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$815,848</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(10) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Real Estate Contract**

In 2008, the District borrowed \$163,000 for the purchase of a building to house the alternative high school.

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2010	5.00%	\$ 7,662	7,806	15,468
2011	5.00	7,263	8,205	15,468
2012	5.00	6,843	8,625	15,468
2013	5.00	6,402	9,066	15,468
2014	5.00	<u>1,529</u>	<u>123,084</u>	<u>124,613</u>
		<u>\$29,699</u>	<u>156,786</u>	<u>186,485</u>

Monthly payments of \$1,289 are due through September 1, 2013. At that time, the remaining balance of \$120,746 will have to be repaid or refinanced.

## **Required Supplementary Information**

**OKOBOJI COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 9,032,903	220,356	9,253,259	9,601,745	9,601,745	(348,486)
State sources	1,432,268	4,292	1,436,560	1,394,724	1,394,724	41,836
Federal sources	702,721	142,132	844,853	440,000	440,000	404,853
Total revenues	<u>11,167,892</u>	<u>366,780</u>	<u>11,534,672</u>	<u>11,436,469</u>	<u>11,436,469</u>	<u>98,203</u>
<b>Expenditures/Expenses:</b>						
Instruction	6,751,323	-	6,751,323	6,682,803	6,682,803	(68,520)
Support services	2,558,389	-	2,558,389	4,241,388	4,241,388	1,682,999
Non-instructional programs	-	380,079	380,079	499,162	499,162	119,083
Other expenditures	1,637,241	-	1,637,241	1,378,837	1,378,837	(258,404)
Total expenditures/expenses	<u>10,946,953</u>	<u>380,079</u>	<u>11,327,032</u>	<u>12,802,190</u>	<u>12,802,190</u>	<u>1,475,158</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	220,939	(13,299)	207,640	(1,365,721)	(1,365,721)	1,573,361
Other financing sources (uses)	<u>163,000</u>	<u>-</u>	<u>163,000</u>	<u>-</u>	<u>-</u>	<u>163,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	383,939	(13,299)	370,640	(1,365,721)	(1,365,721)	1,736,361
Balance beginning of year	<u>2,490,682</u>	<u>125,345</u>	<u>2,616,027</u>	<u>2,899,510</u>	<u>2,899,510</u>	<u>(283,483)</u>
Balance end of year	<u>\$ 2,874,621</u>	<u>112,046</u>	<u>2,986,667</u>	<u>1,533,789</u>	<u>1,533,789</u>	<u>1,452,878</u>

See accompanying independent auditor's report.

## **OKOBOJI COMMUNITY SCHOOL DISTRICT**

### **Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2009**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the instruction and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.



## Other Supplementary Information

## OKOBOJI COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
All School Play	\$ 737	575	472	840
Speech	-	2,960	2,321	639
Debate Tournament	1,172	5,050	5,720	502
HS Debate	-	225	225	-
Debate Fundraiser	-	1,826	852	974
Show Choir	3,734	1,421	1,670	3,485
Jazz Band	-	6,159	6,159	-
Musical	2,825	3,417	1,919	4,323
Cross Country	1,497	1,673	907	2,263
Golf	927	1,241	984	1,184
Boys Basketball	1,199	17,456	14,292	4,363
Football	4,107	25,397	19,362	10,142
Baseball	382	455	103	734
Boys Track	3,205	1,495	3,399	1,301
Wrestling	631	5,707	3,976	2,362
Girls Basketball	4,409	7,663	7,921	4,151
Volleyball	2,634	2,726	3,105	2,255
Softball	135	5,191	4,848	478
Girls Track	1,166	1,320	1,568	918
MS Activity/Concessions	1,776	1,735	1,413	2,098
Class of 2004	560	-	400	160
Class of 2005	71	-	-	71
Class of 2006	589	-	400	189
Class of 2007	827	-	650	177
Class of 2008	842	-	650	192
Class of 2009	343	805	469	679
Class of 2010	739	3,774	3,494	1,019
Class of 2011	362	362	167	557
Class of 2012	-	230	43	187
Class of 2013	-	900	-	900
Pictures	456	-	-	456
Activity Tickets	1,682	11,520	10,639	2,563
Interest	2,538	7,553	3,508	6,583
Concessions	752	30,678	31,430	-
Student Pop	4,794	7,678	9,059	3,413
Pioneer Club	5,109	20,412	18,262	7,259
Student Council	2,977	1,590	1,766	2,801
Student Council Milk	607	3,611	3,246	972
Cheerleaders	1,069	1,417	856	1,630
Drill Team	1,127	6,423	4,723	2,827
Annual	3,664	8,438	10,070	2,032
Spanish Club	10,339	11,128	16,603	4,864
Science Club	1,182	420	-	1,602
FFA	7,307	46,156	46,624	6,839

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Culinary Arts	782	2,446	1,739	1,489
Thespian Club	2,459	2,403	3,279	1,583
Art Appreciation	634	454	165	923
Academic Awards	561	100	284	377
Key Club	1,254	6,493	5,147	2,600
HS Spec Ed Club	1,747	427	156	2,018
Business Club	-	2,722	1,422	1,300
Elementary	13,341	1,967	1,449	13,859
EL/MS Special Ed Club	1,124	232	541	815
Third Grade	-	454	384	70
OES Character Counts	880	500	-	1,380
Elementary K-Kids Club	322	-	-	322
MS Student Senate	2,025	-	134	1,891
MS Magazine Sales	-	17,277	15,487	1,790
MS Spirit Club	9	100	-	109
MS Builders Club	187	52	-	239
MS Archery Club	1,000	-	73	927
Totals	\$ 104,797	292,414	274,535	122,676

See accompanying independent auditor's report.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:									
Local sources:									
Local tax	\$ 7,995,383	7,425,261	7,804,516	6,866,765	6,522,808	6,212,458	5,792,852	4,713,103	4,325,259
Tuition	492,471	565,965	547,104	471,660	404,145	271,723	254,818	178,933	315,555
Other	545,049	471,259	695,224	401,532	361,779	374,327	658,826	876,122	340,852
State sources	1,432,268	1,945,081	1,830,669	2,085,303	2,250,304	2,070,348	2,624,186	2,842,578	2,851,242
Federal sources	702,721	180,647	259,106	288,506	120,445	135,627	138,320	116,527	135,542
Total	<u>\$ 11,167,892</u>	<u>10,588,213</u>	<u>11,136,619</u>	<u>10,113,766</u>	<u>9,659,481</u>	<u>9,064,483</u>	<u>9,469,002</u>	<u>8,727,263</u>	<u>7,968,450</u>
Expenditures:									
Instruction	\$ 6,751,323	6,017,774	5,853,983	5,669,344	5,367,848	5,269,470	4,946,804	4,727,103	5,050,315
Support services:									
Student services	229,474	305,035	443,438	474,575	298,795	304,356	270,377	288,355	253,669
Instructional staff	245,583	339,627	322,767	558,304	265,083	250,005	229,762	184,714	187,147
Administration	846,376	843,449	827,716	787,710	801,969	733,467	684,537	615,802	560,529
Operation and maintenance									
of plant	808,885	882,472	822,464	751,089	716,128	640,696	515,513	601,015	609,989
Transportation	428,071	393,666	438,837	361,773	226,331	289,369	194,993	229,131	247,047
Other expenditures:									
Facilities acquisition	500,647	125,360	592,510	1,058,877	962,361	4,121,315	1,804,749	440,883	105,447
Debt service:									
Principal	747,805	714,338	873,086	973,509	1,205,000	685,000	655,000	555,505	310,522
Interest and services	68,043	88,620	116,630	137,364	267,554	203,522	254,540	211,077	82,094
AEA flowthrough	320,746	312,783	307,878	288,255	290,337	285,224	298,783	299,952	303,479
Total	<u>\$ 10,946,953</u>	<u>10,023,124</u>	<u>10,599,309</u>	<u>11,060,800</u>	<u>10,401,406</u>	<u>12,782,424</u>	<u>9,855,058</u>	<u>8,153,537</u>	<u>7,710,238</u>

See accompanying independent auditor's report.

## OKOBOJI COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY09	\$ 104,450
Food Distribution (non-cash)	10.555	FY09	19,131
National School Lunch Program	10.555	FY09	18,551
			<u>142,132</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3195-G-09	70,150
ARRA - Title I Grants to Local Educational Agencies Recovery Act	84.389	FY09	7,463
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	FY09	72,888
Carol M. White Physical Education Program	84.215F	FY09	302,423
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY09	1,134
Grants for Assessments and Related Activities	84.369	FY09	5,545
Improving Teacher Quality - States Grants	84.367	FY09	29,392
Vocational Education - Basic Grants to States	84.048	FY09	5,219
Prairie Lakes Area Education Agency 8			
Special Education - Grants to States (IDEA Part B)	84.027	FY09	44,036
ARRA - Special Education - Grants to States - Recovery Act	84.391	FY09	<u>23,774</u>
Total			<u>\$ 704,156</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Okoboji Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

## Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

To the Board of Education of  
Okoboji Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Okoboji Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Okoboji Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Okoboji Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Okoboji Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Okoboji Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Okoboji Community School District's financial statements that is more than inconsequential will not be prevented or detected by Okoboji Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Okoboji Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09 are material weaknesses.

#### Compliance and Other Matters

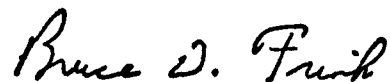
As part of obtaining reasonable assurance about whether Okoboji Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Okoboji Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Okoboji Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Okoboji Community School District and other parties to whom Okoboji Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Okoboji Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 25, 2010

# BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Compliance with Requirements**  
**Applicable to Each Major Program and on Internal Control**  
**over Compliance in Accordance with OMB Circular A-133**

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Okoboji Community School District:

**Compliance**

We have audited the compliance of Okoboji Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Okoboji Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Okoboji Community School District's management. Our responsibility is to express an opinion on Okoboji Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Okoboji Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Okoboji Community School District's compliance with those requirements.

In our opinion Okoboji Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**Internal Control over Compliance**

The management of Okoboji Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Okoboji Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Okoboji Community School District's internal control over compliance.



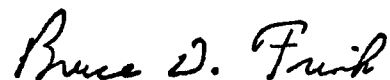
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Okoboji Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Okoboji Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Okoboji Community School District and other parties to whom Okoboji Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 25, 2010

**OKOBOJI COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.215F - Carol M. White Physical Education Program
  - CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Okoboji Community School District did not qualify as a low-risk auditee.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

II-A-09      Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-09      Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCY:**

CFDA Number: 84.394 ARRA State Fiscal Stabilization Fund Education State  
Grants, Recovery Act

Federal Award Year: 2009

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 84.215F Carol M. White Physical Education Program

Federal Award Year: 2009

US Department of Education

Passed through Iowa Department of Education

III-A-09 Segregation of Duties - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response and Corrective Action Planned - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the certified budget amounts in the instruction and other expenditures functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-09 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**OKOBOJI COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part IV: Other Findings Related to Required Statutory Reporting:**  
(continued):

- IV-C-09      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
  
- II-D-09      Business Transactions - No business transactions between the District and District officials or employees were noted.
  
- IV-E-09      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
  
- IV-F-09      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
  
- IV-G-09      Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.
  
- IV-H-09      Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
  
- IV-I-09      Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
  
- IV-J-09      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
  
- IV-K-09      Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			1,085,481
Expenditures/transfers out:			
School infrastructure:			
Other improvements	\$269,633		
Debt service for school infrastructure:			
Revenue Bonds	<u>815,848</u>		<u>1,085,481</u>
Ending balance		\$	<u>          -</u>